THE
Dan Smoot Report

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DAN SMOOT

THE SKY IS FALLING

Recently, Lester Maddox, Governor of Georgia, spoke to a convention of the Georgia Consumer Finance Association at Jekyll Island, Georgia. The following is from that speech, in which the Governor made allusion to the old nursery tale about Chicken Little who, hit on the head by a falling acorn, aroused the populace by crying out that she was going to tell the king the sky was falling.

I have come here to tell you that the sky is falling.

I know, because a piece of it hit me on the head.

Some people will try to tell you that this is not true, and that Lester Maddox is the befuddled victim of a simple acorn; but I can give you scientific proof that such attempts to discredit my report are entirely without foundation.

It is a well-known fact that acorns fall to the ground in late autumn and early winter. My head has been assailed in almost every month of the year; and some of the biggest chunks have hit me during our long, hot summers.

Too many editors and would-be editors of not only the fishwrappers, but the one-eyed monsters and the squawkboxes as well, have, in effect, labeled your Governor a "Chicken Little."

They would have you believe that our system of free enterprise is in no danger.

They would have you believe that constitutional government in the United States is not fast becoming just another historical relic.

They would have you believe that the right for a citizen, any citizen, to have, hold and enjoy private property was not dealt a death blow with the 1968 Open Housing Bill.

They would have you believe that riots, looting, burning, and shooting lead to good citizenship rather than to total lawlessness.

But I know that it was no acorn that closed the Pickrick [restaurant that Maddox owned but was forced to close because of illegal court orders to integrate service]. It was no acorn that denied me a trial by jury. It was no acorn that now threatens the careers of this nation's real estate agents and puts the investments of millions of homeowners in jeopardy.

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It was no acorn that gutted Detroit, left Newark in a state of disaster, and snuffed out hundreds of lives throughout America.

And so I am on my way to tell the king. I will tell him today. I will tell him tomorrow. And you had better believe, I will tell him in November!

I may be scorned, belittled and laughed at; but when I am, I'll just talk a little louder so I'll be heard over the noise. I believe that I am right when I say that the American way of life is being destroyed and that those of us who care must stand up for our beliefs.

If I am wrong, then I am one man who has made a fool of himself. But if I am right, and I fail in my duty as a father, as a citizen, and as a governor to warn my fellow Americans — what is the price of my cowardice?

I, myself, can afford the cost of being wrong, but my children cannot afford the price of my being silently right.

The stake which you . . . have in the free enterprise system makes it unnecessary for me to ask for your support in my fight to preserve what is left of it, and to resurrect that which has been sacrificed to the mobs.

At one time, although the memory is faded by the lapse of years, any man with a little money, a little initiative, and a little know-how could, in this great land of ours, begin a business of his own. If his wares or services were good, and reasonably priced, his business would grow. When his customers exceeded his ability to serve them alone, he could bargain with another man and induce him to share his labors and to share his profits.

The owner of the business usually had more initiative, skill, and courage—he worked harder and took more risks than did the employee, and so he naturally expected to take the larger share of the profits.

This system worked well for many. Employee and employer alike benefitted from the arrangement. In some instances, however, the employer abused the slight advantage which he had over his employee. His greed led him to take an unfair share of the profits . . . .

Such were the conditions which gave birth to the powerful labor unions which exist today in America and throughout the free world . . . .

A man should receive a fair wage for his labor; but in a system of free enterprise, the law of supply and demand must be allowed to operate . . . .

If the commodity of labor is excluded from coverage under the law of supply and demand, and wages are fixed in an arbitrary manner, and the employer has no control over the selection and rejection of his employees, then an absolutely *vital* ingredient of the free enterprise system is lost.

In most cases, unions have recognized the necessity of allowing businesses to make a profit on their investments. Even if the profit is extremely modest . . . businessmen must be provided some incentive for taking their money out of old socks and mattresses.

The Federal Government, on the other hand, has, time and again, thrown the baby out with the bathwater.

By strangling industry, the federal bureaucrats have encouraged minimum work output by a maximum number of bums, hoodlums and ne'er-do-wells who no longer find it necessary to compete to eat.

The businessman is told whom he can hire, regardless of qualifications. He is told whom he cannot fire, regardless of misconduct. He is told what wages he must pay, regardless of what skills and energies an employee might have to contribute.

He is told who must be promoted and who must be left behind, with no thought whatsoever given to an employee's merit.

He is even given guidelines on what he can and cannot say to a particular employee or group of employees.

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And what's more, shackles are being placed around the necks of the working man, too. In many instances, he is being told where he must work, how much pay he must demand, and even where he must live.

Some employees are being told by the Department of Labor when to be happy and when to be unhappy. Take the ridiculous example which was reported last week about the small business in La Grange, Georgia. Nobody had filed a complaint, but the owner was subjected to a Gestapo-type search of his records. After a long interruption of the man's business operations, the bureaucrats trumped up a charge that the employees were due thousands of dollars in back pay. After every one of the honest employees volunteered to sign an affidavit repudiating the charges, the federal boys tucked tail and went on down the road to stir up trouble somewhere else . . . .

I serve this warning to those who would increase the limits being placed on the free enterprise system in this country. Capitalism evolved in free societies in a natural manner; and just as the other elements of nature are in a delicate balance, so are the components of capitalism. If we kill out all the foxes, then the rabbits become over-populated; they starve and die of disease. And if we kill the dog, what happens to the fleas?

For example, what would happen to the 25% of all adult Georgians who borrow an average of $350 each from members of the Consumer Finance Industry each year? Many of these people, as you well know, cannot get loans from the big banks and more conservative lending institutions.

Who would help pay the hospital bills of those not provident enough to carry adequate insurance? Who would put the motor back in the working man's only car? Who would furnish the money to buy that new washing machine or a color television?

There are people in Washington who would like to do it with taxpayers' money. There are people in Russia who would like to help them get their programs on the road. And through a spirit of wholehearted cooperation, the two governments won't take too long to get the job done.

If a homeowner cannot select from potential buyers when he wants to sell his property, and if a restaurant owner cannot select the customers that he wants to serve fried chicken to, and if an employer in industry cannot select the best from job applicants, and the applicants are not free to select their employer, then how confident can you people in the finance business be that this time next year you will be free to select the best risks from the thousands of loan applications which you receive every year?

How long could you stay in business with guidelines requiring you to make loans on a first-come, first-served basis?

It's a horrifying thought, isn't it? And the really horrifying aspect of the whole thing is the imminence of such a tragedy. I repeat: The sky is falling, and we must go tell the king . . . .

* * * *

The sky *is* falling.

A rather large chunk of it hit the American free enterprise system on June 3, when a federal court handed down the latest decision in the case of Darlington Manufacturing Company *versus* Textile Workers Union.

In innumerable cases, federal administrative agencies and federal courts have assumed the power (not granted to any agency of the federal government by our Constitution) to force management to do business on terms dictated by monopolistic unions. The National Labor Relations Board (NLRB) has even denied management the right to give up and quit business rather than endure bankruptcy forced on it by unions. Now, in the latest Darlington case decision, a high federal court denies business the right to quit.

In the mid-1950's, the American textile industry was in bad shape, primarily because of government policies—which used American tax money to subsidize textile mills in foreign lands; which enabled monopolistic unions to impose, on Ameri-

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can textile mill operators, labor costs about 20 times greater than labor costs in foreign textile mills; which made American cotton available to foreign mills at prices below what American mills paid.

In October, 1956, Darlington Manufacturing Company — a textile mill in South Carolina — decided to give up. The stockholders voted to sell its assets and go out of business.

Meanwhile, the Textile Workers Union was trying to organize the plant. In an election, the union, by a margin of 8 votes, won bargaining rights for Darlington's 500 employees. The plant was already closed, however; and the day after the union election, Darlington's assets were sold at public auction.

The union filed a formal complaint with the National Labor Relations Board, alleging that the mill had been closed because Roger Milliken (President of Darlington, and owner of 5% of the stock) disliked unions. The union contended that the Darlington plant was one of a chain of mills owned by Deering Milliken & Company, and that the closing of Darlington was intended to "chill" unionism in all other plants owned by the company. Deering Milliken & Company contended that the Darlington plant was not part of its textile chain but was a separate firm.

The NLRB decided in favor of the union. Holding that there was sufficient common ownership of the Darlington mill by Deering Milliken & Company and related corporations to make them all responsible for the Darlington employees who had been thrown out of work, the NLRB ordered Deering Milliken & Company to give back pay to Darlington employees until they obtained equivalent jobs in other Deering Milliken plants or elsewhere.

The company appealed. On four different occasions, the NLRB upheld the union. Eventually, the U.S. Fourth Circuit Court of Appeals was asked to order enforcement of the NLRB ruling. The circuit court refused, saying that even if the Darlington mill had been closed for anti-union reasons,

"to go out of business *in toto*, or to discontinue it in part, permanently at any time, we think was Darlington's absolute prerogative."

The union appealed to the Supreme Court. On March 29, 1965, the Supreme Court, in a 7-2 ruling, returned the case to the circuit court for a decision on whether the Darlington Manufacturing Company had anti-union motives in closing its plant. The Supreme Court held that an employer has an absolute right to terminate his *entire* business for any reason he pleases, but does not have a right to close *part* of his business "if motivated by a purpose to chill unionism in any of the remaining plants of the single employer."

On June 3, 1968, the Fourth Circuit Court of Appeals held that Darlington Manufacturing Company had been part of the Deering Milliken & Company chain of textile mills, and that it had been closed to "chill unionism" in other plants. The circuit court upheld the NLRB order requiring Deering Milliken & Company to offer new jobs to workers who lost their jobs when Darlington was closed 12 years ago, and to reimburse them for lost wages during those 12 years.

In any free society, the right of an employer to quit business should be as unlimited as the right of an employee to quit work.

But do we still have a free society?

The sky is falling, a piece at a time; and generally only those who are directly hit bother to cry out.

When the whole sky eventually caves in and we are all smothered under totalitarian rule by the senseless bureaucracy in Washington, it will be too late.

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